

LCCASSOCK Contact Report

Date: 14 November 1958, 1500 to 1800

Place: GREENHOUSE safehouse

Presents: [] sk, L-1 and L-4

Next Meeting: To be arranged.

1. L-4 called on the morning of 14 November and requested with some urgency a special meeting, asking specifically that [] be included if possible. He said the reason for the request was too important to discuss on the phone. Following this request, the present meeting was arranged.

2. The urgent matter at hand turned out to be L-1's desire to get an authoritative statement of our present attitude and policy toward commercialisation, reorganization and the financial situation. He was particularly concerned about our future intentions on these points. Presumably his present "urgent" concern was prompted by the financial controls on overhead and Schlagzeug which I had implemented at the last meeting. Although not particularly drastic in nature, the principle of control which they embodied was new to L-1 and the realization that this new means of control may set a precedent for even tighter controls or cutbacks in the future was obviously in the back of his mind.

3. The peg he used to hang his present position on was the resignation of Alexander JOHN, one of the long-time LCCASSOCK staffers. JOHN is leaving LCCASSOCK to take a "better" job in West Germany. L-1 and L-4 maintained that his resignation was a severe blow to the project, that it was prompted more by loss of morale than by inadequate salary and that it was symptomatic of the very serious uncertainty and low morale presently prevailing in the business, due allegedly to our failure to lay down a firm policy for the future. Thereupon, L-1

LCCASSOCK-1201

[] KHM

rehearsed at length all of the complaints and frustrations of the last months. All of them I've heard and discussed with him previously, hence there was really nothing new.

4. On the subject of commercialization, L-1 complained that the decision to commercialize Schlagseug was not his but ours, but that one he had agreed to it he should be allowed to do the best job he could. Instead (referring to the new financial controls), he said we are constantly hampering the enterprise with our restrictions. His point was that, once having decided to commercialize, we have no other choice but to accept the requirements imposed by the economic market. These requirements should and must dictate the scope and rate of commercialization, and our "political" restrictions are hampering this process. He maintained he was still by taste and talent a "political" being, but since we have forced commercialization on him, he has no other recourse but to adopt the priorities of economic life. To this we replied that while we recognize that the idea of Schlagseug commercialization came from us, the objective of the program was never, is not now and will never be purely commercial. Commercialization was and is looked upon as an economic adjunct to a political enterprise. As such it must remain within the limits set by our operational priorities and must not be allowed to follow its own "natural economic laws". Our financial controls are necessary to ensure this state of affairs. If L-1 cannot accept these controls, or if the nature of commercialization is such as to make adherence to these controls impossible, we will have no compunction about terminating commercialization. In the meantime the policy re Schlagseug agreed to a few months ago still stands. This policy (which lays down a gradual rate of expansion, on the premise of gradually increasing income) is now buttressed by the maximum cost controls imposed at the last meeting. We indicated that over the coming months L-1's arguments and the scope of commercialization will be closely reviewed, with the implication that by June 1959 at the latest a revised policy vis-a-vis its continuation (or termination) will be forthcoming.

